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Macroeconomic policy questions: commodities

Report of the Second Committee*

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I. Introduction

1. The Second Committee held a substantive debate on agenda item 51 (see A/64/418, para. 2). Action on sub-item (d) was taken at the 24th and 39th meetings, on 28 October and 4 December 2009. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/64/SR.24 and 39).

II. Consideration of draft resolutions A/C.2/64/L.5 and A/C.2/64/L.53

2. At the 24th meeting, on 28 October, the representative of the Sudan, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "Commodities" (A/C.2/64/L.5), which read:

> "*The General Assembly*,
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> "*Recalling* its resolutions 59/224 of 22 December 2004, 61/190 of 20 December 2006 and 63/207 of 19 December 2008 on commodities,
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> "*Recalling also* the United Nations Millennium Declaration adopted by Heads of State and Government on 8 September 2000, the 2005 World Summit Outcome adopted on 16 September 2005 and its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals, and the other internationally agreed development goals.

* The report of the Committee on agenda item 51 is being issued in five parts, under the symbol A/64/418 and Add.1-4.

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"*Recalling further* the International Conference on Financing for Development and its outcome,

"*Recalling* the Plan of Implementation of the World Summit on Sustainable Development,

"*Recalling also* the Programme of Action for the Least Developed Countries for the Decade 2001-2010 and the outcome of the high-level meeting of the sixty-first session of the General Assembly on the midterm comprehensive global review of the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010, held in New York on 18 and 19 September 2006, and taking note of *The Least Developed Countries Report, 2009: The State and Development Governance*,

"*Taking note* of the Arusha Declaration and Plan of Action on African Commodities adopted at the African Union Conference of Ministers of Trade on Commodities, held in Arusha, United Republic of Tanzania, from 21 to 23 November 2005, and endorsed by the Executive Council of the African Union at its eighth ordinary session, held in Khartoum from 16 to 21 January 2006,

"*Taking note* of the targets set out in the Rome Declaration on World Food Security and the Plan of Action of the World Food Summit and the outcome document of the World Food Summit: five years later, which reaffirms the pledge to end hunger and poverty,

"*Taking note also* of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha from 29 November to 2 December 2008,

"*Taking note further* of the Political Declaration of the High-Level Meeting on Africa's Development Needs, held in New York on 22 September 2008,

"*Taking note* of the Accra Accord, adopted by the United Nations Conference on Trade and Development at its twelfth session, containing far-reaching recommendations on commodity issues, and of further decisions and agreed conclusions on commodities adopted by the Trade and Development Board and its subsidiary bodies in 2008 and 2009,

"*Recognizing* that many developing countries continue to be highly dependent on primary commodities as their principal source of export revenues, employment, income-generation and domestic savings, and as the driving force of investment, economic growth and social development, including poverty eradication,

"*Deeply concerned* that recent episodes of commodity price booms and subsequent busts underlined the fact that the underlying causes of commodity price volatility have yet to be properly addressed, and that such commodity-dependent developing countries and economies in transition continue to be highly vulnerable to price fluctuation, mainly owing to excessive speculation and insufficient regulation of commodity future markets,

"*Recognizing* that the present crisis has reinforced the need for a holistic and integrated approach to deal with the commodity problematique, and

stressing the need to identify and agree on the best ways to strengthen the nexus between trade, food, finance, energy and industrialization,

"*Recognizing also* that the current economic crisis has impacted negatively on the commodity economy evidenced by, inter alia, the decline in demand for commodities, diminishing supply capacities owing to shrinking commodity revenues and postponement of investments, thus resulting in an economic slowdown in commodity-dependent economies,

"*Stressing* the importance of policies to address longer-term structural issues of the commodity economy and integrate commodity policies into wider development and poverty eradication strategies at all levels,

"1. *Takes note* of the note by the Secretary-General transmitting the report on world commodity trends and prospects prepared by the secretariat of the United Nations Conference on Trade and Development;

"2. *Underscores* the need for further efforts to address commodity price volatility;

"3. *Calls for* a coherent set of policy actions at the international level to address excessive price volatility and mitigate the negative impact on commodity-dependent developing countries, through facilitating value addition and enhancing their participation in commodity and related product value chains, and by supporting large-scale diversification of these economies;

"4. *Recognizes* the potential for innovation, productivity improvements and promotion of non-traditional exports in most commodity-dependent developing countries, particularly in Africa, and calls for enhanced support by the international community as well as exchanges of experience in these areas within the framework of South-South economic cooperation;

"5. *Calls upon* the international community to work closely with commodity-dependent economies to identify trade-related policies and instruments as well as investment and financial policies as key elements of development strategies of these economies;

"6. *Underscores* the importance of increased investments in infrastructure as a means of promoting agricultural development and enhancing commodity diversification and trade, and urges the international community to assist commodity-dependent developing countries;

"7. *Stresses* that technical assistance and capacity-building aimed at improving the commodity export competitiveness of producers is particularly important, especially in Africa, and urges the donor community to increase resources for commodity-specific, financial and technical assistance, in particular for human and institutional capacity-building, as well as infrastructure development of developing countries, with a view to reducing their institutional bottlenecks and transaction costs and enhancing their commodity trade and development in accordance with national development plans;

"8. *Calls upon* the international community to take urgent measures for food security, including immediate and adequate provision of food grain in developing countries suffering from shortages, in particular least developed

countries, while supporting the efforts of these countries to achieve longer-term food security and sustainable agricultural development;

"9. *Underlines* the important contribution of the commodities sector to rural development, in particular to providing rural employment and income, and to the efforts for achieving food security;

"10. *Emphasizes* the importance of international measures and national strategies to improve the performance of the agricultural sector, including the functioning of markets and trading systems, to ensure a better supply-side response from producers, in particular, small farmers, in order to incentivize them to take the risks inherent in investing in increased and diversified production;

"11. *Stresses* the importance of revisiting the discussion on the creation of international buffer stocks and requests the United Nations Conference on Trade and Development to carry out a study, including on various proposals for international buffer stocks, with a view to making specific recommendations for achieving more stability in commodity markets and to curbing excessive speculation in commodity futures;

"12. *Calls for* the early conclusion of the Doha Development Round of trade negotiations with a development-oriented outcome that ensures, inter alia, greater market access for products from developing countries;

"13. *Reaffirms* its commitment to meaningful trade liberalization and to ensure that trade plays its full part in promoting economic growth, employment and development for all;

"14. *Emphasizes* that maximizing the benefits and minimizing the costs of international trade liberalization call for development-oriented and coherent policies at all levels;

"15. *Recalls* the agreement to keep under regular review by the Ministerial Conference and appropriate organs of the World Trade Organization the impact of the results of the Uruguay Round on the least developed countries as well as on the net food-importing developing countries, with a view to fostering positive measures to enable them to achieve their development objectives, and in this regard, calls for the full implementation of the Marrakech Decision on Measures concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-Importing Developing Countries;

"16. *Underlines* the need to strengthen the Common Fund for Commodities and other international commodities organizations, and encourages it, in cooperation with the International Trade Centre UNCTAD/WTO, the United Nations Conference on Trade and Development and other relevant bodies, to continue to strengthen and develop ways to establish greater stability in the commodities market as well as to enhance activities in developing countries to improve access to markets and reliability of supply, enhancing diversification and addition of value, improving the competitiveness of commodities, strengthening the market chain, improving market structures, broadening the export base and ensuring the effective participation of all stakeholders;

"17. *Stresses* that the United Nations Conference on Trade and Development and its partners, in the spirit of inter-agency cooperation and multi-stakeholder partnerships and within their respective mandates, should continue to engage actively in collaborative research and analysis of commodity problematique and related capacity and consensus-building activities with a view to providing regular analysis and policy advice relevant to the sustainable development of commodity-dependent developing countries, particularly low-income countries;

"18. *Underscores* the urgent need for the provision of, and access to, trade finance to commodity-dependent developing countries given the increasing restrictions on access to all types of credit;

"19. *Stresses* the importance of the continuing substantive consideration of the sub-item entitled 'Commodities', and decides to include this sub-item in the provisional agenda of its sixty-sixth session, under the item entitled 'Macroeconomic policy questions';

"20. *Requests* the Secretary-General, in collaboration with the secretariat of the United Nations Conference on Trade and Development, to submit a report with recommendations on the implementation of the present resolution and to report on world commodity trends and prospects to the General Assembly at its sixty-sixth session."

3. At its 39th meeting, on 4 December, the Committee had before it a draft resolution entitled "Commodities", submitted by the Vice-Chair, Carlos Enrique García González (El Salvador), on the basis of informal consultations on draft resolution A/C.2/64/L.5.

4. At the same meeting, the Committee was informed that the draft resolution (A/C.2/64/L.53) had no programme budget implications.

5. Also at the same meeting, the Committee adopted draft resolution A/C.2/64/L.53 (see para. 7).

6. In the light of the adoption of draft resolution A/C.2/64/L.53, draft resolution A/C.2/64/L.5 was withdrawn by its sponsors.

III. Recommendation of the Second Committee

7. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

Commodities

The General Assembly,

Recalling its resolutions 59/224 of 22 December 2004, 61/190 of 20 December 2006 and 63/207 of 19 December 2008 on commodities,

Recalling also the United Nations Millennium Declaration adopted by Heads of State and Government on 8 September 2000,[1] the 2005 World Summit Outcome adopted on 16 September 2005[2] and its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals, and the other internationally agreed development goals,

Recalling further the International Conference on Financing for Development and its outcome,[3]

Recalling the Plan of Implementation of the World Summit on Sustainable Development,[4]

Recalling also the Programme of Action for the Least Developed Countries for the Decade 2001-2010[5] and the outcome of the high-level meeting of the sixty-first session of the General Assembly on the midterm comprehensive global review of the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010, held in New York on 18 and 19 September 2006,[6] and taking note of *The Least Developed Countries Report, 2009: The State and Development Governance*,[7]

Taking note of the Arusha Declaration and Plan of Action on African Commodities adopted at the African Union Conference of Ministers of Trade on Commodities, held in Arusha, United Republic of Tanzania, from 21 to 23 November 2005,[8] and endorsed by the Executive Council of the African Union at its eighth ordinary session, held in Khartoum from 16 to 21 January 2006,[9]

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[1] See resolution 55/2.

[2] See resolution 60/1.

[3] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[4] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

[5] A/CONF.191/13, chap. II.

[6] See resolution 61/1.

[7] United Nations publication, Sales No. E.09.II.D.9.

[8] African Union, document AU/Min/Com/Dec1.Rev.1.

Taking note also of the targets set out in the Rome Declaration on World Food Security and the Plan of Action of the World Food Summit[10] and the outcome document of the World Food Summit: five years later,[11] which reaffirms the pledge to end hunger and poverty,

Welcoming the World Summit on Food Security, held in Rome from 16 to 18 November 2009, and its decision to create a Global Partnership for Agriculture, Food Security and Nutrition,[12] the High-level Conference on World Food Security, held in Rome from 3 to 5 June 2008, and the Hokkaido Summits of the Group of Eight held in Japan from 7 to 9 July 2008 and in L'Aquila, Italy from 8 to 10 July 2009,

Taking note of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha from 29 November to 2 December 2008,[13]

Taking note also of the Political Declaration of the High-level Meeting on Africa's Development Needs, held in New York on 22 September 2008,[14]

Taking note further of the Accra Accord,[15] adopted by the United Nations Conference on Trade and Development at its twelfth session, containing far-reaching recommendations on commodity issues, and of further decisions and agreed conclusions on commodities adopted by the Trade and Development Board and its subsidiary bodies in 2008 and 2009,

Recognizing that many developing countries continue to be highly dependent on primary commodities as their principal source of export revenues, employment, income generation and domestic savings, and as the driving force of investment, economic growth and social development, including poverty eradication,

Deeply concerned by recent episodes of commodity price booms and subsequent busts and by the fact that many commodity-dependent developing countries and economies in transition continue to be highly vulnerable to price fluctuations, and recognizing the need to improve the regulation, functioning, and transparency of financial and commodity markets in order to address excessive commodity price volatility,

Recognizing that the present crisis has reinforced the need to comprehensively deal with the commodity problematique, while taking due account of the diversity of each country's individual situation and needs and the promotion of their sustainable development, and to strengthen the nexus between trade, food, finance, investment in sustainable agriculture, energy and industrialization,

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[10] Food and Agriculture Organization of the United Nations, *Report of the World Food Summit, 13-17 November 1996* (WFS 96/REP), part one, appendix.

[11] Food and Agriculture Organization of the United Nations, *Report of the World Food Summit: five years later, 10-13 June 2002*, part one, appendix; see also A/57/499, annex.

[12] See Food and Agriculture Organization of the United Nations, *Declaration of the World Summit on Food Security* (WSFS 2009/2).

[13] Resolution 63/239, annex.

[14] See resolution 63/1.

Taking note of the World Investment Report 2009 of the United Nations Conference on Trade and Development, on transnational corporations, agricultural production and development,

Taking note also of the initiative on promoting responsible international investment in agriculture, which aims to develop relevant principles and an international framework,

Recognizing that the current economic crisis has impacted negatively on the commodity economy, as evidenced, inter alia, by the decline in demand for commodities, diminishing supply capacities owing to shrinking commodity revenues and postponement of investments, resulting in an economic slowdown in commodity-dependent economies,

Noting that the report on world commodity trends and prospects prepared by the secretariat of the United Nations Conference on Trade and Development shows that the recent sharp drop in commodity prices has been followed by a partial recovery in prices during the first months of 2009,

Stressing the importance of policies to address longer-term structural issues of the commodity economy and integrate commodity policies into wider development and poverty eradication strategies at all levels,

Taking note of all relevant voluntary initiatives aimed at improving transparency in commodity markets,

1. *Takes note* of the note by the Secretary-General transmitting the report on world commodity trends and prospects prepared by the secretariat of the United Nations Conference on Trade and Development;[16]

2. *Underscores* the need for further efforts to address excessive commodity price volatility, in particular by assisting producers, especially small-scale producers, in managing risk;

3. *Emphasizes* the need for efforts by the developing countries that are heavily dependent on primary commodities to continue to promote a domestic policy and an institutional environment that encourage diversification and liberalization of the trade and export sectors and enhance competitiveness;

4. *Reaffirms* that each country has primary responsibility for its own economic and social development, and recognizes the importance of an effective enabling environment at the national and international levels;

5. *Calls for* a coherent set of policy actions at national, regional and international levels to address excessive price volatility and support commodity-dependent developing countries in mitigating negative impacts, in particular by facilitating value addition and enhancing their participation in commodity and related product value chains, by supporting large-scale diversification of these economies and by encouraging the use and further development of market-oriented risk management tools;

6. *Recognizes* the potential for innovation, productivity improvements and promotion of non-traditional exports in most commodity-dependent developing countries, particularly in Africa, and calls for enhanced support by the international

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[16] A/64/184.

community as well as exchanges of experience in these areas within the framework of South-South economic cooperation;

7. *Calls upon* the international community to work closely with commodity-dependent economies to identify trade-related policies and instruments as well as investment and financial policies as key elements of development strategies of these economies;

8. *Underscores* the importance of increased investments in infrastructure as a means of promoting agricultural development and enhancing commodity diversification and trade, and urges the international community to assist commodity-dependent developing countries;

9. *Expresses concern* over the large-scale land acquisitions by, among others, transnational corporations in developing countries that incur risk to development efforts, stresses the importance of promoting responsible international investment in agriculture, and in this regard invites the United Nations Conference on Trade and Development, in cooperation with other relevant international organizations, to continue its research and analysis on this issue;

10. *Stresses* that technical assistance and capacity-building aimed at improving the commodity export competitiveness of producers is particularly important, especially in Africa, and invites the donor community to provide necessary resources for commodity-specific, financial and technical assistance, in particular for human and institutional capacity-building, as well as infrastructure development of developing countries, with a view to reducing their institutional bottlenecks and transaction costs and enhancing their commodity trade and development in accordance with national development plans;

11. *Also stresses* that Aid for Trade should aim to help developing countries, particularly least developed countries, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from World Trade Organization agreements and, more broadly, to expand their trade;

12. *Calls upon* the international community to take urgent measures for food security, including immediate and adequate provision of food grain in developing countries suffering from shortages, in particular least developed countries, while supporting the efforts of these countries to achieve longer-term food security and sustainable agricultural development, and notes, furthermore, that food aid should be provided in a manner that does not disrupt domestic markets and food production;

13. *Underlines* the important contribution of the commodities sector to rural development, in particular to providing rural employment and income, and to the efforts for achieving food security;

14. *Emphasizes* the importance of international measures and national strategies to improve the performance of the agricultural sector, including the functioning of markets and trading systems, to ensure a better supply-side response from producers, in particular, small farmers, in order to incentivize them to take the risks inherent in investing in increased and diversified production;

15. *Stresses* the importance of finding tools to best manage excessive price volatility, and requests the United Nations Conference on Trade and Development to

carry out a study with a view to making specific recommendations on measures which could achieve more stability in commodity markets;

16. *Calls for* the conclusion of the Doha Development Round of trade negotiations of the World Trade Organization in 2010 with an ambitious, balanced and development-oriented outcome;

17. *Reaffirms* its commitment to meaningful trade liberalization and to ensure that trade plays its full part in promoting economic growth, employment and development for all;

18. *Emphasizes* that maximizing the benefits and minimizing the costs of international trade liberalization call for development-oriented and coherent policies at all levels;

19. *Recalls* the agreement to keep under regular review by the Ministerial Conference and appropriate organs of the World Trade Organization the impact of the results of the Uruguay Round on the least developed countries as well as on the net food-importing developing countries, with a view to fostering positive measures to enable them to achieve their development objectives, and in this regard calls for the implementation of the Marrakech Decision on Measures concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-Importing Developing Countries;

20. *Welcomes* the actions taken by some individual countries since the International Conference on Financing for Development in Monterrey, Mexico,[3] towards the goal of full duty-free and quota-free market access for all least developed countries, and calls on other developed and developing countries declaring themselves in a position to do so to take steps towards this objective;

21. *Calls* on the international financial institutions and development banks to assist commodity-dependent developing countries in managing the effects of price volatility, and in this regard invites those countries to continue to implement effective economic and fiscal measures;

22. *Reaffirms* that every State has and shall freely exercise full permanent sovereignty over all its wealth, natural resources and economic activities;

23. *Recognizes* the importance of increasing efficiency and effectiveness in the management of public and private sectors revenues in developed and developing countries derived from all commodities and commodities-related industries, including final processed goods, in support of development;

24. *Recognizes* the important contributions of the Common Fund for Commodities and other international commodities organizations and encourages them, in cooperation with the International Trade Centre UNCTAD/WTO, the United Nations Conference on Trade and Development and other relevant bodies, to continue to strengthen and study ways to establish greater stability in the commodities market as well as to enhance activities in developing countries to improve access to markets and reliability of supply, enhancing diversification and addition of value, improving the competitiveness of commodities, strengthening the market chain, improving market structures, broadening the export base and ensuring the effective participation of all stakeholders;

25. *Stresses* that the United Nations Conference on Trade and Development and its partners, in the spirit of inter-agency cooperation and multi-stakeholder partnerships and within their respective mandates, should continue to engage actively in collaborative research and analysis of the commodity problematique and related capacity and consensus-building activities with a view to providing regular analysis and policy advice relevant to the sustainable development of commodity-dependent developing countries, particularly low-income countries;

26. *Underscores* the urgent need for the provision of, and access to, trade finance to commodity-dependent developing countries, given the tightened access to all types of credit and noting debt sustainability;

27. *Stresses* the importance of the continuing substantive consideration of the sub-item entitled "Commodities", and decides to include this sub-item in the provisional agenda of its sixty-sixth session, under the item entitled "Macroeconomic policy questions";

28. *Requests* the Secretary-General, in collaboration with the secretariat of the United Nations Conference on Trade and Development, to submit a report on the implementation of the present resolution with recommendations and to report on world commodity trends and prospects, including further examination of the causes of the excessive commodity price volatility, to the General Assembly at its sixty-sixth session.